

**TOWNSHIP OF DENTON**  
**ROSCOMMON COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2005**

## AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: <b>Township of Denton</b>	County <b>Roscommon</b>
Audit Date <b>March 31, 2005</b>	Opinion Date <b>May 12, 2005</b>	Date Accountant Report Submitted To State: <b>July 26, 2005</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- |   |   |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.   |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).  |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132])   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).   |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).  |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): **KESKINE, COOK, MILLER & ALEXANDER, LLP**

Street Address <b>100 West 1<sup>st</sup> Street</b>	City <b>Gaylord</b>	State <b>MI</b>	ZIP <b>49735</b>
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Accountant Signature



## **TOWNSHIP OFFICIALS**

SUPERVISOR

FRED CHIDESTER

CLERK

CAROL ASHER

TREASURER

CAROLYN PIETCHAK

## **TRUSTEES**

PAULA M. FULLER

ROBERT SMITH

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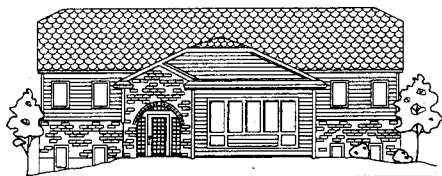
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Keskin, Cook, Miller & Alexander LLP  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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Jeffrey B. Cook, C.P.A.  
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Ronald D. Alexander, C.P.A.  
Curt A. Reppuhn, C.P.A.

### INDEPENDENT AUDITOR'S REPORT

May 12, 2005

To the Township Board  
Denton Township  
Roscommon County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Denton, as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

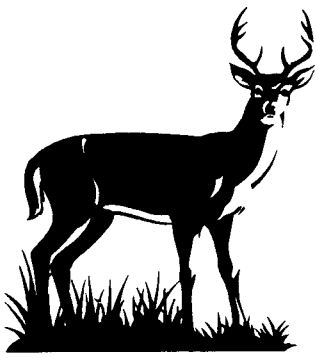
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Denton as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 35 through 42 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Denton Township basic financial statements. The combining non-major fund financial statements on pages 43 and 44 are presented for additional analysis and are not a required part of the basic financial statements. The combining non-major financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

  
KESKINE, COOK, MILLER & ALEXANDER, LLP



Roscommon County - - - The Playground of Michigan

## **TOWNSHIP OF DENTON**

P.O. BOX 289  
PRUDENVILLE, MICHIGAN 48651-0289  
OFFICE (989) 366-5913 FAX (989) 366-7123  
**On Beautiful Houghton Lake**



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### **TOWNSHIP OF DENTON MANAGEMENT'S DISCUSSION & ANALYSIS YEAR ENDED MARCH 31, 2005**

The following is a discussion and analysis of the annual financial report of the Township's financial performance for the fiscal year ended March 31, 2005 by management. Please read it in conjunction with the financial statements, which immediately follow this section.

#### **FINANCIAL HIGHLIGHTS**

Our financial status remained stable. Assets as of March 31, 2005 totaled \$12,978,457. Of this total, \$10,031,771 represents capital assets net of depreciation and related debt. Overall, assets increased \$473,626 from the prior year.

Revenues totaled \$3,873,881. \$2,969,224 were from Governmental activities, and \$904,657 from business-type activities. Total expenses were \$3,395,255. Expenses for governmental Activities were \$2,632,231 and \$763,024 for business-type activities. Total revenue increased 10 percent. Total expenses increased 8 percent.

The taxable value of the Township increased by 7.99 percent, up from 5.14 percent over the prior year.

The major asset acquired last year was a heavy rescue truck for \$285,000.00. Other assets acquired were new streetlights, a police vehicle, and a new maintenance garage. Liabilities totaled \$2,036,512. \$1,665,000 is related to bonded sewer debt. Overall liabilities increased approximately \$30,000.

The only long-term debt incurred last year was for the rescue truck that was financed through Bank One under the provisions of Act 99. The other items were covered by Fund balance reserves.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The report consists of three parts, management discussion and analysis, the financial statements, and required supplementary information. The financial statements include entity-wide statements and fund financial statements.



## ENTITY-WIDE FINANCIAL STATEMENTS

The entity wide statements report information about the entity as a whole using accounting methods used by private companies. The statement of net assets includes all of the entity's assets and liabilities. The statement of activities records all of the current year revenues and expenses regardless of when received or paid.

The statements report net assets and how they have changed. Net assets are the difference between the entity's assets and liabilities. Net assets are an indicator of an entity's financial health.

Over time, trends in an entity's new assets serve as an indicator of whether financial position is improving or deteriorating.

Other factors such as changes in the tax base, condition of facilities, and personnel changes should be considered in assessing the overall fiscal health of an entity.

The majority of reported activities of the Township are governmental. These include the general fund, road fund, police fund, and fire fund. The sewer fund is treated as a business activity as the revenues pay for the operations of the activity.

## FUND FINANCIAL STATEMENTS

The fund financial statements provide detailed information about the Township's funds, focusing on the major funds, not the Township as a whole. The funds account for specific activities or funding sources. Some funds are required by law or bond covenants. The Township board may create additional funds. The funds are established to account for funding and spending of specific financial resources and to show proper expenditure of the resources.

The Township has the following types of funds:

**Governmental Funds:** The majority of the Township's activities are included in the governmental fund category. These funds are presented by the modified accrual method, which is designed to show short-term financial information. The differences between the government-wide statements and the fund statements are disclosed in reconciling the statements and explain the differences between them. The governmental funds of the Township include: General, Road, Fire, Police, Mobile Home, Recreational, Park, Ambulance, and Street Lights.

**Proprietary Funds:** These funds represent activities of the Township that are similar to activities performed by private companies. These funds are designed to generate revenues adequate to pay for the operations of the activity. These funds are presented on a full accrual method and use the same format as the government-wide statements and fund statements presentation. The Township's proprietary fund is Sewer.

**Fiduciary Funds:** The Township is a trustee or fiduciary for assets that belong to others. The Township maintains these funds and is responsible for insuring that the assets of the funds are spent for their intended purpose and at the direction of the individuals or organizations to which the funds belong. The Tax Collection Fund and McKinley Shores Seawall are Fiduciary Funds.

## **FINANCIAL ANALYSIS OF THE TOWNSHIP AS A WHOLE**

**Net Assets:** The Township's combined net assets increased \$478,622 during the year ended March 31, 2005 and totaled \$12,978,457.

The increase is the result of fixed asset additions exceeding Depreciation Allowances during the year, mainly the new Rescue Truck.

**Governmental Activities:** The net assets for governmental activities increased \$336,993,

**Business Type Activities:** The net assets for business-type activities increased \$141,633. The changes in this area are consistent with prior periods and necessary to retire debt and maintain the system.

## **FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**GENERAL FUND:** This fund records all activities not required to be recorded in a separate fund. The activities included are zoning, elections, maintenance, assessing, cemetery, community building, and township officials budgets. The major source of revenue for the general fund is state revenue sharing and the allocated millage on the tax base. Other sources are fees for services such as zoning fees, tax collection fees, and rent income.

The General Fund Budget for Denton Township for the 2004-2005 Budget year was close to the estimate for Revenue. Expenses for the General Fund, in most cases were close to the budgeted amounts. Several General Fund expense accounts are well under budget as some projects were delayed due to the uncertainty about State Revenue Sharing. Budgeted expenses were estimated by averaging the last 3 years and adjusted for expected trends. Upcoming projects, expected major repairs, equipment purchases, and other large expense items were added.

**ROADS:** The fund records income and expenses for county owned streets within the Township. The major revenue source is the voted township millage. A significant amount of revenue comes from the Roscommon County Road Commission allocation of funds between the townships. The funds are used for paving, curbing, and other improvements to the streets.

**FIRE:** The fund covers the activities of the townships volunteer on call paid fire department. The department is millage supported with revenue from fire protection contracts with other townships.

**POLICE:** The police fund is millage supported with other revenues from liquor license inspections, fees for insurance reports, and miscellaneous income.

**PARKS:** The fund covers activities for the township park system. The system includes the soccer fields, baseball field, pavilion, and beaches. The main source of income for the fund is from the general fund. There is no voted millage specifically for parks. In past years, grant income has been a significant source of revenue.

**AMBULANCE:** The revenues and expenses for the ambulance service is recorded by this fund. The fund is millage supported with approximately 35 percent of total revenue derived from the millage. Insurance fees from Medicare, Blue Cross, and other insurances provide the bulk of the remaining income. Mutual aid fees, ALS intercept fees, and training program fees are other sources of revenue. Donations from private individuals have been a significant source of revenue in past years.

**STREETLIGHTS:** The fund provides the revenue to pay utility costs and other operational costs of the program. The fund is millage supported.

**COMMERICAL REHAB:** This fund is a revolving fund that loans money to established business owners in the township. Start up funding was provided many years ago by a grant. Revenue for the fund comes from bank interest on retained funds, loan payments, and loan interest.

**TRASH/COMPOST:** This fund is supported by a special assessment on residential units in the township. Other sources of funding are the general fund, recycling revenue, commercial user fees, and grant income.

**MOBILE HOME PARK:** This fund is wholly supported by user fees charged to park users. Camping fees and lot rents are the main sources of revenue.

**SEWER:** The fund is supported mainly by user fees. Permit fees, delinquent fees, and capacity fees are other sources of revenue. The original system was bonded and paid for by special assessment districts. The last bond was paid off this year. The bond for the last expansion of the system was paid by increased user fees. The operations of the system are managed by the Houghton Lake Sewer Agency.

**COMPONENT UNIT:** The Houghton Lake Improvement Board is a component unit and is reported in an oversight capacity only. The HLIB approves all special assessments that fund the Boards activities. The HLIB is solely responsible for approving any projects and the related expense.

## **CAPITAL ASSET AND LONG-TERM DEPT ACTIVITY**

**Capital Assets.** Total purchases were \$527,418. The purchases were a Ford Explorer at \$23,328 for the Police; a Ford 350 at \$27,186, a tractor at \$42,100, and Garage at \$53,600, all for the Maintenance Department; a Fire Truck for \$285,000 for the Fire Department; and Streetlights for \$49,875. A police car and two tractors were traded in.

**Long-term Debt.** The new Fire Department Rescue Truck. \$260,000 was financed under Act 99. The McKinley Seawall Note was financed in the Township name. \$57,671 and is an Agency Activity.

## **Future Considerations**

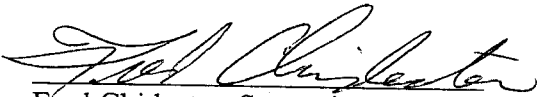
The growth of Denton Township needs to be considered in any type of planning for the Township. The township has experienced a surge in commercial development with the new Walmart. A new strip mall between Walmart and Home Depot is under construction. Two new auto parts stores are nearing completion and the new Dollar Store is open. Lowe's is planning a new store east of Walmart and Independent Bank has received preliminary approval, pending approval from other state and local agencies.


New residential developments are in the planning stages. Two income based apartment complexes with 72 units total have been approved by the Township and are in the final planning stages. This growth will require upgraded roads and require additional EMS services. The Houghton Lake Sewer Authority has authorized engineering studies to upgrade the South Harrison Road facility. Estimated cost for the sewer upgrade is approximately \$6,500,000.00, which will be prorated between the three townships. The township is also looking at upgrading the Level Park Sewer Plant. Other possible demands for increased services may be for parks and possibly a water system for some areas.

The Township has signed preliminary documents for a new ambulance facility, scheduled for completion by the fall of 2006. Estimated cost of the facility is expected to be \$875,000 and will be financed through USDA Rural Development by 30 or 40-year bonds. An option to purchase lake property for a park has been signed for \$720,000. Expected acquisition date is before June 1, 2006. The Township is hoping to receive a DNR Grant for \$450,000 to pay for part of the cost.

## **Contacting Entity Management**

The report is designed to provide an overview of Denton Township's financial position and the accounting procedures used. If you have questions concerning this report please contact Fred Chidester, Supervisor, at 2565 S. Gladwin Rd, P.O. Box 289, Prudenville, MI 48651.

  
Fred Chidester, Supervisor

  
Carol A. Asher, Clerk

**TOWNSHIP OF DENTON**  
**STATEMENT OF NET ASSETS**  
**MARCH 31, 2005**

	Primary Government			
	Governmental Activities	Business Type Activities	Total	Component Unit
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash	\$ 1,273,523	\$ 390,811	\$ 1,664,334	\$ 1,226,528
Investments	492,676	819,498	1,312,174	311,344
Receivables	96,454	272,106	368,560	-
Delinquent Taxes Receivable	131,322	25,586	156,908	20,375
Inventories	18,000	-	18,000	-
Due from Fiduciary Fund	1,463,222	-	1,463,222	-
Total Current Assets	3,475,197	1,508,001	4,983,198	1,558,247
<b>Non-Current Assets:</b>				
Capital Assets	4,074,764	12,202,191	16,276,955	-
Accumulated Depreciation	(1,539,231)	(4,705,953)	(6,245,184)	-
Total Non-Current Assets	2,535,533	7,496,238	10,031,771	-
Total Assets	6,010,730	9,004,239	15,014,969	1,558,247
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Accounts Payable	7,771	7,638	15,409	-
Accrued Liabilities	69,388	-	69,388	-
Current Portion of Long-Term Debt	58,178	175,000	233,178	-
Total Current Liabilities	135,337	182,638	317,975	-
<b>Long-Term Liabilities:</b>				
Notes Payable	226,775	-	226,775	-
Bonds Payable	-	1,490,000	1,490,000	-
Lease Obligations	1,762	-	1,762	-
Total Long-Term Liabilities	228,537	1,490,000	1,718,537	-
Total Liabilities	363,874	1,672,638	2,036,512	-
<b>NET ASSETS</b>				
Investment in Capital Assets, Net of Related Debt	2,248,818	5,831,238	8,080,056	-
Unrestricted	3,398,038	1,500,363	4,898,401	1,558,247
Total Net Assets	\$ 5,646,856	\$ 7,331,601	\$ 12,978,457	\$ 1,558,247

See accompanying notes to financial statements.

**TOWNSHIP OF DENTON  
STATEMENT OF ACTIVITIES  
YEAR ENDED MARCH 31, 2005**

		<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS</u>			
					<u>PRIMARY GOVERNMENT</u>			
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL	COMPONENT UNIT
EXPENSES								
<b>GOVERNMENTAL ACTIVITIES</b>								
General Government	\$ (548,587)	\$ 39,195	\$ -	\$ -	\$ (509,392)	\$ -	\$ (509,392)	\$ -
Community and Economic Development	(49,085)	32,710	-	-	(16,375)	-	(16,375)	-
Health & Welfare	(871,832)	611,504	20	-	(260,308)	-	(260,308)	-
Parks & Recreation	(93,138)	77,221	-	-	(15,917)	-	(15,917)	-
Public Safety	(481,127)	108,708	21,885	-	(350,534)	-	(350,534)	-
Public Works	(583,382)	3,159	-	-	(580,223)	-	(580,223)	-
Interest on Long-Term Debt	(5,080)	-	-	-	(5,080)	-	(5,080)	-
<b>Total Governmental Activities</b>	(2,632,231)	872,497	21,905	-	(1,737,829)	-	(1,737,829)	-
<b>BUSINESS-TYPE ACTIVITIES</b>								
Sewer System	(763,024)	884,019	-	-	-	120,995	120,995	-
<b>Total Primary Government</b>	(3,395,255)	1,756,516	21,905	\$ -	(1,737,829)	(120,995)	(1,616,834)	-
<b>COMPONENT UNIT</b>	\$ (134,906)	\$ -	\$ -	\$ -	-	-	-	(134,906)
<b>GENERAL REVENUES</b>								
Property Taxes:								
Levied for General Purposes					345,528	-	345,528	229,100
Levied for Public Safety Services					444,082	-	444,082	-
Levied for Public Works Services					461,618	-	461,618	-
Levied for Health & Welfare Services					327,657	-	327,657	-
State Shared Revenue (not restricted to specific purpose)					407,837	-	407,837	-
Gain on disposal of capital asset					18,184	-	18,184	-
Miscellaneous					18,802	-	18,802	-
Investment Earnings					51,114	20,638	71,752	26,001
<b>TOTAL GENERAL REVENUES</b>					2,074,822	20,638	2,095,460	255,101
<b>CHANGE IN NET ASSETS</b>					336,993	141,633	478,626	120,195
<b>NET ASSETS - APRIL 1</b>					5,309,863	7,189,968	12,499,831	1,438,052
<b>NET ASSETS - MARCH 31</b>					\$ 5,646,856	\$ 7,331,601	\$ 12,978,457	\$ 1,558,247

TOWNSHIP OF DENTON  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2005

	GENERAL	AMBULANCE	TRASH	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
<b>ASSETS</b>					
Cash and Equivalents	\$ 1,080,714	\$ 206,627	\$ (185,393)	\$ 171,575	\$ 1,273,523
Investments	325,762	73,638	-	93,276	492,676
Delinquent Taxes	27,528	26,172	23,785	53,837	131,322
Accounts (Net of Allowances)	-	96,454	-	-	96,454
Due from Other Funds	330,730	302,244	208,508	621,740	1,463,222
Inventories	-	18,000	-	-	18,000
Total Assets	1,764,734	723,135	46,900	940,428	3,475,197
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Accounts Payable	7,771	-	-	-	7,771
Accrued Liabilities	17,960	-	-	-	17,960
Total Liabilities	25,731	-	-	-	25,731
<b>Fund Equity</b>					
Fund Balance					
Undesignated	1,651,485	705,135	46,900	940,428	3,343,948
Designated	87,518	-	-	-	87,518
Reserved	-	18,000	-	-	18,000
Total Fund Equity	1,739,003	723,135	46,900	940,428	3,449,466
Total Liabilities and Fund Equity	\$ 1,764,734	\$ 723,135	\$ 46,900	\$ 940,428	\$ 3,475,197

See accompanying notes to financial statements

**TOWNSHIP OF DENTON  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
MARCH 31, 2005**

<b>TOTAL FUND EQUITY - GOVERNMENTAL ACTIVITIES (PER BALANCE SHEET - PAGE 10)</b>	<b>\$ 3,449,466</b>
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Amounts reported for governmental activities in the Statement of Net Assets (page 8) are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not recorded in the funds. This represents the amounts by which capital assets used in governmental funds exceeds accumulated depreciation.	2,535,533
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Long-term liabilities, including notes/bonds payable and accrued liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(338,143)</u>
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<b>TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES (PER THE STATEMENT OF NET ASSETS - PAGE 8)</b>	<b><u>\$ 5,646,856</u></b>
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See accompanying notes to financial statements



**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2005**

	GENERAL	AMBULANCE	TRASH	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL
<b>REVENUES</b>					
Taxes and Assessments	\$ 345,528	\$ 327,657	\$ 232,333	\$ 673,367	\$ 1,578,885
State Grants	407,837	-	-	8,015	415,852
Charges for Services	54,790	611,504	-	84,453	750,747
Rent	13,380	-	-	-	13,380
Licenses and Permits	105,211	-	-	-	105,211
Interest	45,238	1,922	-	3,954	51,114
Other	44,556	3,331	3,170	4,794	55,851
Total Revenues	1,016,540	944,414	235,503	774,583	2,971,040
<b>EXPENDITURES</b>					
General Government	450,997	-	-	-	450,997
Public Safety	114,580	-	-	337,306	451,886
Public Works	126,436	-	344,238	156,285	626,959
Health and Welfare	-	792,965	-	-	792,965
Community and Economic Develop	49,085	-	-	-	49,085
Recreation and Culture	-	-	-	53,021	53,021
Capital Outlay	152,151	2,797	-	143,097	298,045
Debt Service	-	25,204	-	31,980	57,184
Total Expenditures	893,249	820,966	344,238	721,689	2,780,142
Excess (Deficiency) of Revenues Over Expenditures	123,291	123,448	(108,735)	52,894	190,898
<b>OTHER FINANCING SOURCES (USES)</b>					
Operating Transfers	53,600	-	-	(53,600)	-
Loan Proceeds	-	-	-	-	-
Excess of Revenues and Other Sources Over Expenditures and Other Uses	176,891	123,448	(108,735)	(706)	190,898
Fund Balance - April 1	1,562,112	599,687	155,635	941,134	3,258,568
Fund Balance - March 31	\$ 1,739,003	\$ 723,135	\$ 46,900	\$ 940,428	\$ 3,449,466

See accompanying notes to financial statements

**TOWNSHIP OF DENTON**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**MARCH 31, 2005**

<b>NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>	<b>\$</b>	<b>190,898</b>
<b>- PAGE 12</b>		

Amounts reported for governmental activities in the Statement of Activities (page 9) are different because:

Governmental funds do not report long-term debt; therefore, debt service payments are recorded as expenditures. However in government-wide financial statements, long-term debt is recorded as a liability and payments are applied against the outstanding balances.

57,104

Debt/asset purchase on an installment purchase is recorded in the statement of activities not on the governmental fund statements.

(260,000)

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets are capitalized and depreciation charged to expense over their useful life.

Current year asset additions  
 Current Year Depreciation allowance

593,642  
 (231,878)

Governmental funds report sales proceeds of assets as income but the statement of activities records only the net gain/loss on the sale of the asset.

(3,366)

Increase of long-term accrued liabilities is not recorded in governmental funds

(5,000)

Increases, decreases to compensated absences are not recorded in governmental funds except when paid currently. In government-wide financial statements increases and decreases are recorded in the current period.

(4,407)

**CHANGE IN NET ASSETS - GOVERNMENTAL ACTIVITIES (PER THE STATEMENT OF ACTIVITIES - PAGE 9)**

**\$ 336,993**

See accompanying notes to financial statements

**TOWNSHIP OF DENTON  
STATEMENT OF NET ASSETS  
PROPRIETARY FUND  
MARCH 31, 2005**

		<b>SEWER FUND</b>
		<hr/>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and Equivalents	\$ 1,210,309	
Investments	-	
Receivables:		
Delinquent Assessments	25,586	
Accounts	272,106	
Interest	-	
	<hr/>	
Total Current Assets	1,508,001	
	<hr/>	
<b>Non-Current Assets:</b>		
Sewer System	12,202,191	
Less Accumulated Depreciation	(4,705,953)	
	<hr/>	
Total Non-Current Assets	7,496,238	
	<hr/>	
Total Assets	9,004,239	
	<hr/>	
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts Payable	7,638	
Accrued Interest Payable	-	
Current Portion of Long-Term Debt	175,000	
	<hr/>	
Total Current Liabilities	182,638	
	<hr/>	
<b>Long-Term Debt:</b>		
Notes / Bonds Payable	1,490,000	
	<hr/>	
Total Liabilities	1,672,638	
	<hr/>	
<b>NET ASSETS</b>		
Invested in Capital Assets Net of Related Debt	5,831,238	
Unrestricted	1,500,363	
	<hr/>	
Total Net Assets	\$ 7,331,601	
	<hr/>	

See accompanying notes to financial statements.

**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
**YEAR ENDED MARCH 31, 2005**

	<b>SEWER FUND</b>
<b>OPERATING REVENUES</b>	
Usage Fees and Other	\$ 884,019
<b>OPERATING EXPENSES</b>	
Houghton Lake Sewer Authority	560,179
Depreciation	162,894
Administration	3,051
Total Operating Expenses	726,124
Operating Income	157,895
<b>NON-OPERATING REVENUE</b>	
Interest Income on Investments	20,638
<b>NON-OPERATING EXPENSES</b>	
Interest on Bonds	36,900
Paying Agent Fees	-
Total Non - Operating Expenses	36,900
Non - Operating Loss	(16,262)
Net Income	141,633
Fund Net Assets- April 1	7,189,968
Fund Net Assets - March 31	\$ 7,331,601

See accompanying notes to financial statements.

**TOWNSHIP OF DENTON  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
YEAR ENDED MARCH 31, 2005**

**SEWER FUND**

**Cash Flows From Operating Activities:**

Cash received from customers	\$ 879,483
* Cash payments to suppliers for goods and services	<u>(559,727)</u>
Net Cash Provided by Operating Activities	<u>319,756</u>

**Cash Flows From Capital Financing Activities:**

Principal paid on bonded debt	(180,000)
Interest paid	<u>(36,900)</u>
Net Cash Used by Capital Financing Activities	<u>(216,900)</u>

**Cash Flows From Investing Activities:**

(Purchase) redemption of investments	-
Interest earned on investments	<u>20,637</u>
Net Cash Provided by Investing Activities	<u>20,637</u>
Net Increase (decrease) in Cash	123,493

Cash and Equivalents - April 1	<u>1,086,816</u>
Cash and Equivalents - March 31	<u>\$ 1,210,309</u>

**Reconcilliation of operating income to net cash provided by operating activities**

Operating Income		\$ 157,895
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	162,894.00	
Decrease in accounts receivable and current assets	(4,535.00)	
Increase in accounts payable and other liabilities	<u>3,502.00</u>	<u>161,861</u>
Net cash provided by operating activities		<u>\$ 319,756</u>

See accompanying notes to financial statements

**TOWNSHIP OF DENTON  
STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2005**

	<b>AGENCY FUNDS</b>
<b>ASSETS</b>	
Cash	\$ 1,498,223
Special Assessment Receivable	25,824
Due from County	3,400
	1,527,447
<b>LIABILITIES</b>	
Due to Township	1,463,222
Due to County of Roscommon	-
Due to Schools	4,502
Due to Other Governments	139
Deferred Revenue Special Assessment	25,824
Note Payable	57,671
Due to Others	23,911
	\$ 1,527,447
Total Liabilities	

See accompanying notes to financial statements.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE A: ENTITY**

The Township of Denton is a General Law Township of the State of Michigan, located in Roscommon County, Michigan. It operates under an elected Board and provides services to its residents in many areas including law enforcement, community enrichment, and human services. The criteria for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service and special financing relationships. On this basis, the financial statements include all of the governmental functions of Denton Township. The entities included in these financial statements are as follows:

**HOUGHTON LAKE SEWER AUTHORITY**

The Townships of Roscommon, Denton and Lake formed the Houghton Lake Sewer Authority, a joint venture, in 1973 for the purpose of operating, maintaining, administering and managing a sanitary sewage disposal facility for the benefit of the aforementioned three Townships and for any other Township or municipality which thereafter joins in and becomes part of such sewer system and the related agreement, all for the betterment of the health, safety, economy and general welfare of the participating municipalities.

Pursuant to the formation of the Authority, the Roscommon County Department of Public Works issued \$2,420,000 of bonds whereupon each Township assumed the responsibility of reimbursing the County for their respective share of the total bonds issued. These bonds were fully retired.

Various other Roscommon County Department of Public Works bonds were issued to help defray the cost of the subsequent additions.

Ownership of the public sanitary sewer system will remain with the Roscommon County Department of Public Works until all outstanding bonds issued by said Department of the County of Roscommon (pertaining to the system) have been retired. Thereafter, all portions of the system shall become the property of the respective municipalities within which they are located and are to be operated for the benefit of said participating municipalities both jointly and severally.

A schedule of indebtedness is included in Note G to detail all bond issues outstanding attributed to Denton Township. The Township has levied a special assessment based on a front footage to aid in the payment of the bonded debt. In addition, an annual service charge may be levied to provide for any bonded debt not recoverable by the special assessment.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE A: ENTITY (CONTINUED)**

**HOUGHTON LAKE SEWER AUTHORITY (CONTINUED)**

The Township's proportionate share of the Authority's operating expenses is included in the Township's Sewer Fund. The Authority is a joint venture and is audited under separate cover. Copies of the Financial Statements for the Houghton Lake Sewer Authority may be obtained from the Authority whose address is: P.O. Box 8 Houghton Lake, MI 48629.

**HOUGHTON LAKE IMPROVEMENT BOARD**

In 2000, the Houghton Lake Improvement Board was formed under authorization of Natural Resources and Environmental Protection Act 451 of 1994, by resolution of the boards of Denton, Markey, Lake, and Roscommon Townships of Roscommon County. The Board was formed for the purpose of protecting and improving the water quality of Houghton Lake from the infection of nonnative plants and vegetation that threaten the water quality of the lake.

The Board formed a special assessment district composed of all parcels of land and local units which will be benefited from the improvements. The special assessment district includes properties in Denton, Markey, Lake, Roscommon Townships. It is funded by a special assessment, contributions from participating Townships, and state appropriations.

The Board is reported as a component unit of the Township of Denton. The treasurer of the Township served as the treasurer of the Improvement Board through January 2005.

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**INTRODUCTION**

The accounting and reporting framework and the more significant accounting principles and practices of Denton Township are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Township's financial activities for the fiscal year ended March 31, 2005.

The accounting policies of Denton Township conform to the generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.



**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**INTRODUCTION (CONTINUED)**

On April 1, 2004, Denton Township adopted the new governmental reporting model and implemented Governmental Accounting Standards Board (GASB) Statement No. 34 "Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments" and Statement No. 38 "Certain Financial Statement Note Disclosures".

Under the provisions of GASB Statements No. 34 and 38, the focus of the Township's financial statements has shifted from a fund focus to a government-wide focus.

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION**

***Government-Wide Financial Statements***

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Township as a whole, excluding fiduciary activities such as tax collection activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Township general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with functional programs. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Township's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION  
(CONTINUED)**

***Fund Financial Statements***

Fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

The measurement focus and basis of accounting for the government-wide and fund financial statements are described in a subsequent section of this note.

**FUND TYPES AND MAJOR FUNDS**

***Governmental Funds***

The Township reports the following major governmental funds:

*General Fund* - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state grants, interest, and other intergovernmental revenues.

*Ambulance Fund* – This fund is used to account for all financial transactions of the ambulance services provided by Denton Township. Revenues are derived from property taxes and charges for services.

*Trash Pick Up Fund* – This fund is used to account for all financial transactions related to trash pick up services provided by Denton Township. Revenues are derived from special assessments, user fees, recycling income, and grant income.

The Township reports, in total, the following non-major funds:

Street Lights, Fire, Mobile Home, Police, Recreational/Park, and Roads.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**FUND TYPES AND MAJOR FUNDS (CONTINUED)**

***Proprietary Funds***

The Township reports the following major proprietary fund:

*Enterprise Funds* - Enterprise funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The Township maintains a Sewer Fund in this category.

***Other Funds***

*Fiduciary Funds* - These funds are used to account for assets held in trust or as an agent for others. Tax collection activities are recorded in this category. Fiduciary activities are not reported in the government-wide financial statements, in accordance with GASB Statement No. 34.

**COMPONENT UNIT**

*Houghton Lake Improvement Board Fund* - This fund is used to account for all financial transactions of the Improvement Board, which is described in Note A of these financial statements. Revenues are derived primarily from special assessment and contributions from other governments, and expenditures consist of treatments to improve the health of Houghton Lake.

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

The financial statements of the Township are prepared in accordance with generally accepted accounting principles (GAAP). The Township applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Township does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

***Government-Wide Financial Statements***

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to Township departments. Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

***Governmental Fund Financial Statements***

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Township considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

**Property Taxes**

The property tax calendar is as follows:

Lien Date	December 31, 2003	
Levy Dates	July 1, 2004	(summer collection)
	December 1, 2004	(winter collection)
Due Dates	September 15, 2004	(summer collection)
	February 15, 2005	(winter collection)

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE B: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)**

***Governmental Fund Financial Statements (Continued)***

The real property tax rolls were turned over to the County of Roscommon on March 1, 2004. Collection of personal property taxes remains the responsibility of the Township. Amounts collected after the due date are assessed interest and/or penalty provisions. A county revolving fund normally pays the balance of the Township's real property tax levy by May 31. The entire Township levy is recorded as revenue in the current year.

The tax rates for the year ended March 31, 2005, were as follows:

<u>PURPOSE</u>	<u>RATE/TAXABLE VALUATION</u>
General	1.5 per \$1,000
Fire	1.0
Roads	.50
Police	.9336
Street Lights	.50
Ambulance Operating	<u>1.4261</u>
Total Millage	<u>5.8597</u>

***Proprietary Fund Financial Statements***

Operating income reported in proprietary fund financial includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS**

In the government-wide and proprietary financial statements, outstanding debt is reported as liabilities. Bond issuance costs, bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effect of interest method.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE B: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**LONG-TERM DEBT, DEFERRED DEBT EXPENSE, AND BOND  
DISCOUNTS/PREMIUMS (CONTINUED)**

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

**BUDGETS**

Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The Board normally adopts the budget just prior to April 1. The budgets as presented in these financial statements have been amended as necessary throughout the year. They were adopted using the modified accrual method of accounting. They expire on March 31 of each year. There are no carryover items. The Township experienced no over expenditures for the year ended March 31, 2005.

**USE OF ESTIMATES**

The financial statements have been prepared in conformity with generally accepted accounting principles as applicable to governments and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results could differ from those estimates.

**INVENTORY**

Inventory is stated at estimated cost.

**CAPITAL ASSETS AND DEPRECIATION**

The Township's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. Proprietary capital assets are also reported in the respective fund financial statements. Donated assets are stated at fair value on the date donated. The Township generally capitalizes assets with historical cost of \$2,500 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts and the resulting gain or loss is recorded in operations.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE B: SUMMARY OF ACCOUNTING POLICIES (CONTINUED)**

**CAPITAL ASSETS AND DEPRECIATION (CONTINUED)**

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	40
Improvements, other than buildings	15 – 40
Mobile equipment	3 – 10
Furniture, machinery, and equipment	5 – 15
Sewer system	75

For information describing capital assets, see Note F.

**NOTE C: CASH, CASH EQUIVALENTS AND INVESTMENTS**

**COMMON BANK ACCOUNT**

For investment purposes the Township maintains cash from several funds in common bank accounts. Balances belonging to each fund are as follows:

General Fund	\$ 1,317,631
Fire Fund	107,739
Recreational Park Fund	(6,426)
Road Fund	2,652
Trash Pickup Fund	(185,393)
Police Fund	(86,433)
Street Lights Fund	171,757
Mobile Home Park Fund	75,511
Ambulance Fund	<u>280,265</u>
Total	<u>\$ 1,677,303</u>

Cash consists of bank accounts or securities with original maturities of 90 days or less.

**CASH AND INVESTMENTS**

All cash deposits are maintained in financial institutions in Michigan. The Township's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the Township at fiscal year-end. The categories are described as follows:

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE C: CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

**CASH AND INVESTMENTS (CONTINUED)**

Category 1 - Insured or collateralized with securities held by the Township or by its agent in the Township's name.

Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the Township's name.

Category 3 - Uncollateralized.

	<u>BANK BALANCE</u>	<u>1</u>	<u>2</u>	<u>3</u>	<u>CARRYING AMOUNT</u>
Pooled Deposits	\$ 1,730,086	\$ 300,000	\$ -	\$ 1,430,061	\$ 1,677,303
Sewer	1,212,922	100,000	-	1,112,922	1,210,309
General	<u>88,639</u>	<u>-</u>	<u>-</u>	<u>88,639</u>	<u>88,595</u>
Total Cash Deposits	<u>\$ 3,031,647</u>	<u>\$ 400,000</u>	<u>\$ -</u>	<u>\$ 2,631,647</u>	<u>\$ 2,976,207</u>
Component Unit	<u>\$ 1,537,873</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ 1,337,873</u>	<u>\$ 1,537,873</u>
Agency	<u>\$ 1,501,694</u>	<u>\$ 120,000</u>	<u>\$ -</u>	<u>\$ 1,381,694</u>	<u>\$ 1,498,223</u>

**INVESTMENTS**

Investments (included above) consists of certificates of deposit and they are stated at cost, which approximates fair market value. Investments consist of securities with original maturities in excess of 90 days. Investing is performed in accordance with investment policies complying with state statutes.

The Governmental Accounting Standards Board Statement No. 3 risk disclosures for the Township's investments are as follows:

- (1) Insured or securities held by the Township or the Township's agent in the Township's name.
- (2) Uninsured with securities held by the counter party's trust department or its agent in the Township's name.
- (3) Uninsured with securities held by the counter party's trust department or agent but not in the Township's name.



**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE D: RECEIVABLES**

Receivables consist of the following:

Delinquent Taxes and Assessments

County of Roscommon bonds for tax collection and pays balances due various taxing authorities during May of each year.

General Fund	\$ 27,528
Ambulance Fund	26,172
Houghton Lake Improvement	20,375
Sewer Fund	25,586
Trash Fund	23,785
Non-major Govt. Funds	53,837
Agency	<u>1,800</u>
	\$ 179,083

Special Revenue Funds

Ambulance runs	\$ 160,454
Less allowance for uncollectibles	<u>(64,000)</u>
	\$ 96,454

Sewer Fund

Usage fees	<u>\$ 272,106</u>
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<b>TOTAL RECEIVABLES</b>	<b><u>\$ 547,643</u></b>
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The Houghton Lake Sewer Authority manages and collects the receivables of the sewer fund for Denton Township. Delinquent fees are added to the tax roll, therefore no allowance for doubtful accounts is necessary.

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables consist of:

Monies collected in the property tax collection fund and not disbursed to the various funds at March 31, 2005.

**TOWNSHIP OF DENTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2005**

**NOTE E: INTERFUND RECEIVABLES AND PAYABLES (CONTINUED)**

<b><u>INTERFUND RECEIVABLES</u></b>		<b><u>INTERFUND PAYABLES</u></b>	
General Fund	\$ 330,730	Agency Fund	\$ <u>1,463,222</u>
Fire Fund	211,939		
Road Fund	105,968		
Trash Pickup Fund	208,508		
Police Fund	197,865		
Streetlight Fund	105,968		
Ambulance Fund	<u>302,244</u>		
Total	\$ <u>1,463,222</u>		

**NOTE F: CAPITAL ASSETS**

	<b><u>CAPITAL ASSETS NOT DEPRECIATED</u></b>		<b><u>CAPITAL ASSETS DEPRECIATED</u></b>					
	Land & Improv.	Buildings	Furniture & Fixtures	Machinery & Equipment	Infrastructure	Sewage System	Totals	
<b>Governmental Activities</b>								
Balance, April 1, 2004	\$ 200,338	\$ 2,025,967	\$ 58,937	\$ 1,224,570	\$ -	\$ -	\$ 3,509,812	
Increases	-	-	-	543,767	49,875	-	593,642	
Decreases	-	-	-	-	-	-	28,690	
Balance, March 31, 2005	<u>200,338</u>	<u>2,025,967</u>	<u>58,937</u>	<u>1,739,647</u>	<u>49,875</u>	<u>-</u>	<u>4,074,764</u>	
<b>Governmental Activities Accumulated Depreciation</b>								
Balance, April 1, 2004	-	708,009	29,931	594,736	-	-	1,332,676	
Increases	-	51,139	8,287	172,036	416	-	231,878	
Decreases	-	-	-	25,324	-	-	25,324	
Balance, March 31, 2005	-	<u>759,148</u>	<u>38,218</u>	<u>741,448</u>	<u>416</u>	<u>-</u>	<u>1,539,230</u>	
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 200,338</u>	<u>\$ 1,266,819</u>	<u>\$ 20,719</u>	<u>\$ 998,199</u>	<u>\$ 49,459</u>	<u>\$ -</u>	<u>\$ 2,535,534</u>	
<b>Business-Type Activities</b>								
Balance, April 1, 2004	\$ -	\$ 17,000	\$ -	\$ -	\$ -	\$ 12,185,191	\$ 12,202,191	
Increases	-	-	-	-	-	-	-	
Decreases	-	-	-	-	-	-	-	
Balance, March 31, 2005	-	<u>17,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,185,191</u>	<u>12,202,191</u>	
<b>Accumulated Depreciation</b>								
Balance, April 1, 2004	\$ -	\$ 4,675	\$ -	\$ -	\$ -	\$ 4,538,384	\$ 4,543,059	
Increases	-	425	-	-	-	162,469	162,894	
Decreases	-	-	-	-	-	-	-	
Balance, March 31, 2005	-	<u>5,100</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 4,700,853</u>	<u>\$ 4,705,953</u>	
<b>Business-Type Activities Capital Assets, Net</b>	<u>\$ -</u>	<u>\$ 11,900</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,484,338</u>	<u>\$ 7,496,238</u>	
<b>Primary Government Capital Assets, Net</b>	<u>\$ 200,338</u>	<u>\$ 1,278,719</u>	<u>\$ 20,719</u>	<u>\$ 998,199</u>	<u>\$ 49,459</u>	<u>\$ 7,484,338</u>	<u>\$ 10,031,772</u>	

**TOWNSHIP OF DENTON**  
**NOTES TO FINANCIAL STATEMENTS**  
**YEAR ENDED MARCH 31, 2005**

**NOTE F: CAPITAL ASSETS (CONTINUED)**

Depreciation expense was charged to functions of the Township as follows:

***Governmental Activities***

Township Administration	\$ 9,484
Township Hall & Groups	27,338
Parks & Recreation	9,780
Public Safety	174,983
Health & Welfare	9,878
Public Works	415
Total	<u>\$ 231,878</u>

***Business-Type Activities***

Sewer Utilities	<u>\$ 162,894</u>
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**NOTE G: LONG-TERM DEBT**

	Balance April 1 <u>2004</u>	<u>Additions</u>	<u>Retirements</u>	Balance March 31 <u>2005</u>	Due Within <u>One Year</u>
<b><u>Governmental Activities</u></b>					
<i>Major Governmental Fund</i>					
Ambulance Note	\$ 26,681	\$ -	\$ 24,635	\$ 2,046	\$ 2,046
Copier Capital Lease	3,875	-	1,057	2,818	1,056
<i>Non Major Governmental Fund</i>					
Fire Truck Notes	53,264	260,000	31,413	281,851	55,076
Total	<u>\$ 83,820</u>	<u>\$260,000</u>	<u>\$ 57,105</u>	<u>\$ 286,715</u>	<u>\$ 58,178</u>
<b><u>Business-type Activities</u></b>					
<i>Major Enterprise Fund</i>					
Sewer Bonds-1993 Issue	<u>\$1,845,000</u>	-	180,000	1,665,000	175,000
Total Primary Government Long-term Debt	<u>\$1,928,820</u>	<u>\$260,000</u>	<u>\$237,105</u>	<u>\$1,951,715</u>	<u>\$ 233,128</u>

**AMBULANCE NOTE**

In May 2002, The Township incurred debt of \$71,517 for the purchase of an Ambulance. The terms of the note are: monthly payments of \$2,100, including interest at 3.65% for 3 years. The balance on March 31, 2005 totaled \$2,046.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE G: LONG-TERM DEBT (CONTINUED)**

**FIRE TRUCK INSTALLMENT LOANS**

In November 2000, the Township borrowed \$146,577 to finance the purchase of a fire truck under an installment loan agreement. Payments are \$2,753 monthly for five years, including interest at 5.25%. The balance on March 31, 2005 was \$21,851.

In October 2004, the Township borrowed \$260,000 to finance the purchase of a rescue truck under an installment purchase agreement. Payments are \$37,726 annually for eight years, including interest at 3.91%. The first payment is due in April 2005.

**SEWER BONDS**

1993 Limited tax general obligation bond – original bond amount was \$3,500,000. Annual principal payments range from \$145,000 - \$210,000, plus semi-annual interest payments at a rate of 2%. Balance at March 31, 2005 was \$1,665,000.

**CAPITAL LEASE**

The Township purchased a Sharp Copier January 7, 2003 under a capital lease which requires monthly payments of \$88.04 with a purchase option after 60 months for \$1.00. Current year lease expense \$1,056.

**SEAWALL INSTALLMENT LOAN**

In June 2004, the Township entered into an installment purchase agreement on behalf of the McKinnley Shores Homeowners Association to construct a seawall. The loan principal is \$57,671. Payments are \$30,533 annually for 2 years, including interest at 3.9%. The first principal payment is due in June 2005. This loan is being financed entirely by a special assessment levied on properties benefiting from the project. Approximately 50% of the assessment was collected in 2005. The balance of the assessment will be collected in fiscal year 2006. Due to the nature of the agreement, this note and activity related to it is recorded in an agency fund.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE G: LONG-TERM DEBT (CONTINUED)**

**CAPITAL LEASE (CONTINUED)**

The annual principal/lease requirements for all debt outstanding as of March 31, 2005, are as follows:

	<u>Sewer Bonds</u>	<u>Copier</u>	<u>Ambulance</u>	<u>Fire Truck</u>	<u>Fire Truck</u>	<u>Seawall</u>
2006	\$ 175,000	\$ 1,056	\$ 2,046	\$22,264	\$ 32,812	\$ 28,284
2007	185,000	1,056	-	-	28,843	29,387
2008	185,000	706	-	-	29,971	-
2009	190,000	-	-	-	31,142	-
2010	195,000	-	-	-	32,360	-
2011	200,000	-	-	-	33,625	-
2012	200,000	-	-	-	34,940	-
2013	205,000	-	-	-	36,307	-
2014	130,000	-	-	-	-	-
	<u>\$1,665,000</u>	<u>\$ 2,819</u>	<u>\$ 2,046</u>	<u>\$22,264</u>	<u>\$260,000</u>	<u>\$ 57,671</u>

**ACCRUED INTEREST**

GASB Statement No. 34 requires interest to be accrued for the long-term debt of governmental activities for the government-wide financial statements. Proprietary funds (sewer) have always recorded accrued interest, as they are governed by FASB guidelines. The government-wide financial statements include the following accrued interest balances at March 31, 2005: \$6,700.

Total interest expense for the Township for the year approximated \$46,500.

**NOTE H: FUND BALANCE/NET ASSETS**

**FUND BALANCE**

The Township Board has taken action to appropriate or reserve surplus funds as follows:

1. Denton Commercial Rehabilitation funds (pay backs) on hand at March 31, 2005, have been pledged to help fund economic development plans in the Township. The balance in the general fund at March 31, 2005, was \$87,459.
2. The Ambulance Fund had \$18,000 worth of medical supplies on hand at March 31, 2005.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE I: PENSION PLAN**

The Township of Denton contributes to a pension plan which is a defined contribution pension plan administered by the Manufacturers Life Insurance Company.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under the Township's defined contribution pension plan, the benefits a participant will receive depends on the amount contributed to the participant's account and the returns earned on investments of those contributions.

All full-time employees and elected officials between the ages of 18-75 are eligible to participate in the plan. Contributions made by the Township and employees are fully vested after the third full year. The participant will receive all vested benefits upon termination of employment with the Township.

The plan requires the Township to contribute 10% of the eligible employees wages. Additionally, each participant contributes 10% of their salary. The Township has met all pension obligations for the year ended March 31, 2005. In addition, employees may make voluntary contributions up to 5% of compensation. The Township's contribution for the year totaled \$73,584.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**NOTE J: INSURANCE**

The Township is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; error and omission; injuries to employees; and natural disasters. The Township participated in the Michigan Municipal Liability and Property Pool, a self-insured group. The pool is considered a public entity risk pool. The Township pays annual premiums to the pool for the respective insurance coverage. In the event a pool's total claims and expense for a policy year exceed the total normal annual premiums for said years, all members of the pool's policy year may be subject to special assessment to make up the deficiency. The pool maintains reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance. The Township has not been informed of any special assessments being required. There were no significant changes in coverage, nor were there any significant claims for the year. The Township carries commercial insurance for other potential losses, including employee health and accident insurance.

**TOWNSHIP OF DENTON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2005**

**NOTE K: CONTINGENT LIABILITIES**

**MSHDA GRANT**

During its most recent monitoring of MSHDA's Community Development Block Grant (CDBG) program, HUD issued a formal finding that MSHDA was not adequately tracking CDBG program income and ensuring that it be expended on eligible activities. To "clear" that finding, MSHDA is requiring repayment of these funds. Denton Township is affected by this decision, as it was a recipient of such monies. The HUD requirement applies only to the CDBG-funded portion of the 1978-1985 program. Additionally, program income expended prior to January 1, 1999 has been forgiven, and repayment is not necessary. Denton Township's CDBG did not begin until 1982, so the Township is responsible to pay back a pro-rata portion of income earned from 1982-1985, of which was expended after January 1, 1999. This amount has not yet been determined.

**NOTE L: COMMITMENT**

In March 2003, the Township entered into a 5-year contract commencing May 1, 2003 and ending March 31, 2008 with Waste Management of Michigan, Inc. for trash collection services. This monthly fee for services is \$5.54 per livable residential dwelling/unit for the first year and may increase 3% in subsequent years.

**NOTE M: DEFICIT FUND BALANCE**

The Recreation Park fund carries a deficit fund balance of \$6,246 at March 31, 2005. The Township intends to transfer funds to cover this deficit in fiscal year 2006.

**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
<b>REVENUES</b>				
<b>Property Taxes and Assessments</b>	\$ 253,780	\$ 253,780	\$ 345,528	\$ 91,748
<b>Intergovernmental:</b>				
State Shared Revenue	350,000	350,000	400,437	50,437
Trailer Tax	900	900	961	61
Swamp Tax	-	-	6,439	6,439
<b>Charges for Services:</b>				
Cemetery Services	9,800	9,800	9,815	15
Rehab Program Payments	18,000	18,000	17,174	(826)
Summer Tax Collection Fees	16,000	16,000	16,000	-
Other Fees	8,250	8,250	11,801	3,551
<b>Rent</b>	13,380	13,380	13,380	-
<b>Licenses and Permits</b>	102,000	102,000	105,211	3,211
<b>Interest</b>	26,300	26,300	45,238	18,938
<b>Other</b>	47,030	47,030	44,556	(2,474)
<b>Total Revenues</b>	<u>\$ 845,440</u>	<u>\$ 845,440</u>	<u>\$ 1,016,540</u>	<u>\$ 171,100</u>

**EXPENDITURES**

**GENERAL GOVERNMENT**

**Township Board:**

Salaries - Permanent Employees	\$ 40,400	\$ 40,400	\$ 39,575	\$ 825
Salaries - Board	7,550	7,550	7,600	(50)
Fringe Benefits	35,463	35,463	37,061	(1,598)
Office Supplies	15,000	15,000	16,593	(1,593)
Repairs and Maintenance	900	900	403	497
Professional Services	24,000	42,000	35,342	6,658
Transportation and Meals	225	225	59	166
Community Promotion	1,000	1,000	600	400
Printing and Publishing	1,800	1,800	1,811	(11)
Insurance and Bonds	10,000	13,476	13,476	-
Equipment Rental	-	-	-	-
Membership, Dues and Education	6,000	6,000	5,620	380
Miscellaneous / Contingency	8,000	8,000	7,421	579
Equipment	1,000	1,000	290	710
<b>Total Township Board</b>	<u>151,338</u>	<u>172,814</u>	<u>165,851</u>	<u>6,963</u>



**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
<b>Supervisor:</b>				
Salary	37,000	37,000	37,000	-
Fringe Benefits	9,472	9,472	8,385	1,087
Office Supplies	-	-	10	(10)
Membership, Dues and Education	1,500	1,500	1,539	(39)
Transportation and Meals	1,125	1,125	164	961
Equipment	-	-	319	(319)
Miscellaneous	-	-	-	-
Total Supervisor	49,097	49,097	47,417	1,680
<b>Assessor:</b>				
Salaries	64,444	64,444	64,957	(513)
Fringe Benefits	21,458	21,458	20,193	1,265
Office Supplies	6,000	6,000	5,342	658
Membership, Dues and Education	1,000	1,000	1,158	(158)
Transportation and Meals	850	850	579	271
Printing and Publishing	75	75	-	75
Equipment	500	500	-	500
Maintenance	500	500	26	474
Misc Expense	500	500	-	500
Professional Services	400	400	25	375
Total Assessor	95,727	95,727	92,280	3,447
<b>Election Board:</b>				
Wages	4,500	4,500	4,312	188
Fringe Benefits	-	-	112	(112)
Printing and Publishing	30	30	14	16
Transportation and Meals	150	150	83	67
Equipment and Other	950	950	86	864
Office Supplies	3,500	3,500	2,708	792
Total Election Board	9,130	9,130	7,315	1,815
<b>Computer Department:</b>				
Equipment and Supplies	14,800	14,800	13,079	1,721

**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2005**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)</b>
<b>Township Clerk:</b>				
Salaries	31,000	31,000	31,000	-
Fringe Benefits	14,772	14,772	14,620	152
Office Supplies	225	225	44	181
Membership, Dues and Education	1,500	1,500	1,258	242
Transportation and Meals	500	500	322	178
Total Township Clerk	47,997	47,997	47,244	753
<b>Township Treasurer:</b>				
Salaries	31,000	31,000	31,000	-
Fringe Benefits	8,272	8,272	7,923	349
Office Supplies	5,500	5,500	5,544	(44)
Transportation and Meals	300	300	22	278
Membership, Dues and Education	2,500	3,330	3,331	(1)
Printing and Publishing	-	-	-	-
Total Township Treasurer	47,572	48,402	47,820	582
<b>Board of Review:</b>				
Contract Labor and Wages	1,300	1,300	901	399
Miscellaneous	930	930	673	257
Total Board of Review	2,230	2,230	1,574	656
<b>Township Hall and Grounds:</b>				
Salaries	-	-	-	-
Fringe Benefits	-	-	-	-
Office Supplies	2,900	2,900	3,069	(169)
Repairs and Maintenance	4,800	4,800	3,414	1,386
Communications	4,600	4,600	5,438	(838)
Utilities	16,516	16,516	15,640	876
Insurance	-	-	-	-
Equipment	2,000	2,000	920	1,080
Building/Land	20,750	20,750	62,923	(42,173)
Transportation and Meals	-	-	-	-
Land Purchase	-	-	-	-
Miscellaneous	1,300	1,300	290	1,010
Total Township Hall and Grounds	52,866	52,866	91,694	(38,828)

**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2005**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)</b>
<b>Cemetery:</b>				
Wages and Fringe Benefits	4,845	4,845	3,564	1,281
Office Supplies	1,500	1,500	1,066	434
Utilities	225	225	88	137
Repair and Maintenance	500	500	125	375
Insurance	300	300	406	(106)
Building and Land	1,000	1,000	-	1,000
Equipment and Other	1,550	1,550	30	1,520
Total Cemetery	9,920	9,920	5,279	4,641
Total General Government	480,677	502,983	519,553	(16,570)
<b>PUBLIC SAFETY</b>				
Civilian Emergency Response Training	-	-	13,174	(13,174)
Building Agency	98,000	98,000	101,406	(3,406)
Total Public Safety	98,000	98,000	114,580	(16,580)
<b>COMMUNITY AND ECONOMIC DEVELOPMENT</b>				
<b>Zoning:</b>				
Salaries	28,065	28,065	25,820	2,245
Fringe Benefits	8,224	8,224	5,307	2,917
Office Supplies	-	-	-	-
Professional Services	10,000	10,000	4,694	5,306
Printing and Publishing	1,000	1,000	767	233
Insurance	-	-	-	-
Membership, Dues and Education	1,200	1,200	75	1,125
Transportation and Meals	800	800	428	372
Miscellaneous	200	200	319	(119)
Total Zoning	49,489	49,489	37,410	12,079
<b>Township Rehabilitation:</b>	11,300	12,975	11,675	1,300
Total Community and Economic Development	60,789	62,464	49,085	13,379

**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**YEAR ENDED MARCH 31, 2005**

	<u>ORIGINAL BUDGET</u>	<u>FINAL AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)</u>
<b>PUBLIC WORKS</b>				
<b>Maintenance:</b>				
Wages - Septic	86,980	86,980	88,106	(1,126)
FICA	34,694	34,694	32,931	1,763
Office/Operating Supplies	1,600	1,600	948	652
Uniforms	700	700	252	448
Repair/Maintenance Building/Land	4,500	4,500	1,979	2,521
Meals	2,500	2,500	2,220	280
Equipment	75,000	85,000	83,595	1,405
Total Public Works	<u>205,974</u>	<u>215,974</u>	<u>210,031</u>	<u>5,943</u>
Total Expenditures	<u>845,440</u>	<u>879,421</u>	<u>893,249</u>	<u>(13,828)</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>(33,981)</u>	<u>123,291</u>	<u>157,272</u>
<b>OTHER FINANCING SOURCES:</b>				
Ambulance	-	-	-	-
Roads	-	-	-	-
Houghton Lake Improvement Board	-	-	-	-
Recreation/Park	-	-	53,600	53,600
Trash	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>53,600</u>	<u>53,600</u>
Excess (Deficiency) of Revenues over Expenditures and Other Uses	<u>-</u>	<u>(33,981)</u>	<u>176,891</u>	<u>210,872</u>
Fund Balance - April 1	<u>1,562,112</u>	<u>1,562,112</u>	<u>1,562,112</u>	<u>-</u>
Fund Balance - March 31	<u>\$ 1,562,112</u>	<u>\$ 1,528,131</u>	<u>\$ 1,739,003</u>	<u>\$ 210,872</u>

**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**AMBULANCE FUND**  
**YEAR ENDED MARCH 31, 2005**

	ORIGINAL BUDGET	FINAL AMENDED BUDGET	ACTUAL	VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)
<b>REVENUES</b>				
<b>Property Taxes and Assessments</b>	\$ 312,860	\$ 312,860	\$ 327,657	\$ 14,797
<b>Charges for Services:</b>				
Response Fees	3,000	3,000	100	(2,900)
Insurance Reimbursements	450,300	450,300	491,634	41,334
Intercept Fees	95,000	95,000	94,500	(500)
Training Program Fees	30,000	30,000	25,270	(4,730)
<b>Interest</b>	-	-	1,922	1,922
<b>Donations</b>	-	-	20	20
<b>Other</b>	4,000	4,000	3,311	(689)
<b>Total Revenues</b>	<u>\$ 895,160</u>	<u>\$ 895,160</u>	<u>\$ 944,414</u>	<u>\$ 49,254</u>
<b>EXPENDITURES</b>				
<b>Public Safety:</b>				
Salaries, Wages and Payroll Taxes	\$ 605,274	\$ 605,274	\$ 581,858	\$ 23,416
Health Insurance	55,463	55,463	49,924	5,539
Pension	36,426	36,426	36,022	404
Contract Wages	-	-	-	-
Supplies and Uniforms	26,450	26,450	20,399	6,051
Repairs and Maintenance	20,860	20,860	20,776	84
Miscellaneous	6,800	6,800	811	5,989
Professional Services	3,600	3,600	1,973	1,627
Insurance	18,400	18,400	15,726	2,674
Education and Training	54,100	54,100	54,694	(594)
Capital Outlay	31,280	31,280	2,797	28,483
Utilities	11,302	11,302	10,782	520
<b>Debt Service:</b>				
Ambulance Payment	25,205	25,205	25,204	1
<b>Total Expenditures</b>	<u>895,160</u>	<u>895,160</u>	<u>820,966</u>	<u>74,194</u>
<b>Excess (Deficiency) of Revenues over Expenditures</b>	-	-	123,448	123,448
<b>Fund Balance - April 1</b>	<u>599,687</u>	<u>599,687</u>	<u>599,687</u>	-
<b>Fund Balance - March 31</b>	<u><u>\$ 599,687</u></u>	<u><u>\$ 599,687</u></u>	<u><u>\$ 723,135</u></u>	<u><u>\$ 123,448</u></u>

**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**TRASH FUND**  
**YEAR ENDED MARCH 31, 2005**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)</b>
<b>REVENUES</b>				
Taxes and Assessments	\$ 209,315	\$ 209,315	\$ 232,333	\$ 23,018
Other Income	138,018	138,018	3,170	(134,848)
Total Revenues	<u>\$ 347,333</u>	<u>\$ 347,333</u>	<u>\$ 235,503</u>	<u>\$ (111,830)</u>
 <b>EXPENDITURES</b>				
<b>Public Works:</b>				
Salaries and Benefits	\$ 24,283	\$ 24,283	\$ 23,762	\$ 521
Supplies	1,000	1,000	448	552
Repairs and Maintenance	9,000	9,000	1,015	7,985
Professional Fees	450	450	500	(50)
Miscellaneous	2,000	2,000	746	1,254
Trash Collection Costs	306,300	306,300	316,527	(10,227)
Utilities	1,300	1,300	1,240	60
Capital Outlay	3,000	3,000	-	3,000
Total Expenditures	<u>347,333</u>	<u>347,333</u>	<u>344,238</u>	<u>3,095</u>
Excess (Deficiency) of Revenues over Expenditures	<u>-</u>	<u>-</u>	<u>(108,735)</u>	<u>(108,735)</u>
Fund Balance - April 1	<u>155,635</u>	<u>155,635</u>	<u>155,635</u>	<u>-</u>
Fund Balance - March 31	<u><u>\$ 155,635</u></u>	<u><u>\$ 155,635</u></u>	<u><u>\$ 46,900</u></u>	<u><u>\$ (108,735)</u></u>

**TOWNSHIP OF DENTON**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOUGHTON LAKE IMPROVEMENT BOARD**  
**YEAR ENDED MARCH 31, 2005**

	<b>ORIGINAL BUDGET</b>	<b>FINAL AMENDED BUDGET</b>	<b>ACTUAL</b>	<b>VARIANCE FROM FINAL AMENDED BUDGET (UNFAVORABLE)</b>
<b>REVENUES</b>				
<b>Contributions</b>				
Local units of government	\$ -	\$ -	\$ -	\$ -
State	-	-	-	-
<b>Interest</b>	25,000	25,000	26,001	1,001
<b>Special assessment</b>	998,000	308,500	229,100	(79,400)
<b>Other</b>	-	-	-	-
<b>Total Revenues</b>	<u>1,023,000</u>	<u>333,500</u>	<u>255,101</u>	<u>(78,399)</u>
 <b>EXPENDITURES</b>				
<b>General Government</b>				
Postage & Supplies	4,400	4,600	1,657	2,943
Professional Fees	1,100	1,100	800	300
Studies & Special Projects	146,500	146,500	128,263	18,237
Milfoil treatment	-	-	-	-
Miscellaneous	18,000	17,800	4,186	13,614
<b>Total Expenditures</b>	<u>170,000</u>	<u>170,000</u>	<u>134,906</u>	<u>35,094</u>
 Excess (Deficiency) of Revenues over Expenditures	<u>853,000</u>	<u>163,500</u>	<u>120,195</u>	<u>(43,305)</u>
 Fund Balance - April 1	<u>1,438,052</u>	<u>1,438,052</u>	<u>1,438,052</u>	<u>-</u>
 Fund Balance - March 31	<u>\$ 2,291,052</u>	<u>\$ 1,601,552</u>	<u>\$ 1,558,247</u>	<u>\$ (43,305)</u>

TOWNSHIP OF DENTON  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
MARCH 31, 2005

	STREET LIGHTS	FIRE	MOBILE HOME	ROAD	POLICE	RECREATIONAL PARK	TOTAL
<b>ASSETS</b>							
Cash	\$ 171,757	\$ 107,740	\$ 75,561	\$ 2,652	\$ (86,433)	\$ (6,426)	\$ 264,851
Delinquent Taxes Receivable	9,175	18,351	-	9,176	17,135	-	53,837
Special Assessment Receivable	-	-	-	-	-	-	-
Due From Other Funds	105,969	211,938	-	105,969	197,864	-	621,740
Accounts Receivable	-	-	-	-	-	-	-
Inventories	-	-	-	-	-	-	-
Total Assets	286,901	338,029	75,561	117,797	128,566	(6,426)	940,428

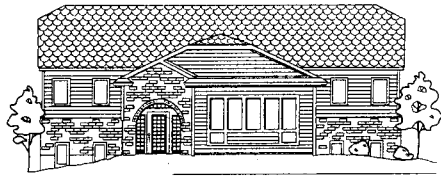
**LIABILITIES AND FUND  
BALANCES**

<b>Fund Balances:</b>							
Designated	-	-	-	-	-	-	-
Undesignated	286,901	338,029	75,561	117,797	128,566	(6,426)	940,428
Total Liabilities and Fund BalancesEq	\$ 286,901	\$ 338,029	\$ 75,561	\$ 117,797	\$ 128,566	\$ (6,426)	\$ 940,428



**TOWNSHIP OF DENTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**YEAR ENDED MARCH 31, 2005**

	STREET LIGHTS	FIRE	MOBILE HOME	ROAD	POLICE	RECREATIONAL PARK	TOTAL
<b>REVENUES</b>							
Taxes and Assessments	\$ 114,498	\$ 229,576	\$ -	\$ 114,787	\$ 214,506	\$ -	\$ 673,367
State Grants	-	-	-	-	8,015	-	8,015
Charges for Services	-	6,505	77,221	-	727	-	84,453
Other	674	4,027	-	674	3,373	-	8,748
Total Revenues	115,172	240,108	77,221	115,461	226,621	-	774,583
<b>EXPENDITURES</b>							
Personnel Services	-	78,912	20,982	-	184,782	6,807	291,483
Supplies and Repairs	-	19,887	2,495	-	4,030	1,317	27,729
Utilities	47,364	6,358	14,455	-	2,010	1,168	71,355
Insurance	-	16,430	2,199	-	7,523	-	26,152
Roads	-	-	-	103,183	-	-	103,183
Professional Services	350	900	1,532	600	600	400	4,382
Miscellaneous	4,711	9,891	632	77	6,643	1,034	22,988
Debt Retirement	-	31,980	-	-	-	-	31,980
Capital Outlay	49,875	37,195	21,693	-	25,030	8,644	142,437
Total Expenditures	102,300	201,553	63,988	103,860	230,618	19,370	721,689
Excess (Deficiency) of Revenues Over Expenditures	12,872	38,555	13,233	11,601	(3,997)	(19,370)	52,894
<b>OTHER FINANCING SOURCES (USES)</b>							
Operating Transfers	-	-	(53,600)	-	-	-	(53,600)
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	12,872	38,555	(40,367)	11,601	(3,997)	(19,370)	(706)
Fund Balance - April 1	274,029	299,474	115,928	106,196	132,563	12,944	941,134
Fund Balance - March 31	\$ 286,901	\$ 338,029	\$ 75,561	\$ 117,797	\$ 128,566	\$ (6,426)	\$ 940,428



**Keskin, Cook, Miller & Alexander LLP**  
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

Walter J. Keskin, C.P.A.  
Jeffrey B. Cook, C.P.A.  
Richard W. Miller, C.P.A.  
Ronald D. Alexander, C.P.A.  
Curt A. Reppuhn, C.P.A.

May 12, 2005

To the Board of Trustees  
Township of Denton

We have audited the financial statements of Township of Denton for the year ended March 31, 2005, and have issued our report thereon dated May 12, 2005. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 13, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Township of Denton. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Township of Denton are described in Note B to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended March 31, 2005. We noted no transactions entered into by Township of Denton during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements was:

Management's estimate of Building and Equipment useful lives affecting past/current year depreciation computations. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township of Denton's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgement, none of the adjustments we proposed, either individually or in the aggregate, indicate matters that could have a significant effect on the Township of Denton's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Township of Denton's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

### Comments & Recommendations

During our audit we noted the Recreational Park Fund is carrying a deficit fund balance. It appears a budgeted transfer was not made. A deficit elimination plan should be implemented immediately to address this issue.

Very truly yours,

*K.K. Cook Miller & Alexander LLP*

Keskine, Cook, Miller & Alexander LLP